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STATE DOCUMENTS
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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF THE

STATE OF MONTANA

EIGHTH ANNUAL REPORT

OF THE

SOCIAL SECURITY DIVISION

1962 - 1963

Sam W. Mitchell Building
Rooms 232-233
Helena, Montana
Zip Code 59601

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October 1, 1963

Honorable Tim Babcock
Governor of Montana
State Capitol
Helena, Montana

Dear Governor Babcock:

The Board of Administration of the Public Employees' Retirement System herewith respectfully presents its Eighth Annual Report of the operations and progress of its Social Security Division for the fiscal year ending on June 30, 1963, in accordance with the provisions of Section 68-501 (c), Revised Codes of Montana, 1947.

The combined benefits provided by Social Security and the Public Employees' Retirement System have provided the measure of security at superannuation, disability and death of a member which realizes the objectives of a more complete and satisfactory retirement plan and insures to the State of Montana the recruitment and retention of more efficient and stable public employees. It also provides to the public employees an opportunity to discontinue public service at an age when they may enjoy some of the rewards of their faithful service in a respectable measure of comfort and security while providing opportunities for younger employees.

We appreciate the opportunity and privilege in being able to provide this measure of reward to the faithful and deserving public employees of the State of Montana and its contracting political subdivisions while contributing to the improvement of the personnel standards for efficient, courteous and stable public service in Montana.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

John F. Sasek, Secretary

REPORT AS OF JUNE 30, 1963

For the Period Beginning July 1, 1962 and Ending June 30, 1963

BOARD OF ADMINISTRATION

	Term Expires	
HUBERT G. WHITE, Townsend	April 1, 1968	President
MALCOLM BOWDEN, Helena	April 1, 1964	Vice-President
FRED L. HILL, Great Falls	April 1, 1967	Member
MRS. ELMER SCHYE, White Sulphur Springs	April 1, 1965	Member
*JACK D. SHANSTROM, Livingston	April 1, 1966	Member
**DONALD J. SKERRITT, Bozeman	April 1, 1966	Member

*Appointed to fill unexpired term on December 27, 1962.

**Resigned December 4, 1962.

ADMINISTRATIVE STAFF

JOHN F. SASEK	Secretary
OWEN L. MORRIS, JR.	Accountant
MICHAEL J. HUGHES	Attorney

LEGISLATION AND GROWTH

LEGISLATION

Public employees in Montana were first provided the opportunity of securing Social Security coverage, or Old Age, Survivors' and Disability Insurance under the provisions of Chapter 44, 1953 Session Laws of Montana, when the Thirty-third Legislative Assembly of Montana, enacted the enabling legislation whereby political subdivisions, not under a retirement system, could have some measure of security for themselves and beneficiaries at superannuation and for their survivors should the employees never reach superannuation. This enabling legislation was made possible by the 1950 amendments to the Federal Social Security Act which permitted public employees, not under a retirement system, to secure Social Security coverage which had not been previously available to them.

Under the authority granted to it by Chapter 44, 1953 Session Laws of Montana, the State Board of Examiners entered into a Federal-State Social Security agreement with the Secretary of Health, Education and Welfare, effective on December 7, 1953. This original agreement was applicable only to those political subdivisions not under a retirement system. The state agency designated to administer Social Security for public employees in Montana under this act was the State Board of Equalization.

The Montana Federal-State agreement of December 7, 1953, provided the basis of coverage for the various classes of positions among public employees in Montana and every agreement, or modification thereof, which has been executed by the State of Montana or its political subdivisions since that date has been governed by it, so that all classes of positions are covered except some employees working on a fee basis, firemen, policemen, and students employed incidentally at the various educational institutions. The original agreement has been amended so that fee basis elective officials may be covered.

Social Security coverage under the provisions of Chapter 44, 1953 Session Laws, was secured solely through a voluntary Plan and Agreement negotiated between the legislative body and the State Board of Equalization, which administered Social Security for public employees in Montana until July 1, 1955, when the Public Employees' Retirement System assumed its administration.

The Thirty-fourth Legislative Assembly of Montana amended the original act of 1953 to allow public employees of Montana, who are under a retirement system, to add Social Security coverage to their coverage under a retirement system. This was done in accordance with the provisions of the 1954 amendments of the Federal Social Security Act. The coverage for these public employees was provided under Chapter 270, 1955 Session Laws of Montana, for members of the Public Employees' Retirement System of Montana, and under Chapter 271, 1955 Session Laws of Montana, for members of the Teachers' Retirement System of Montana who are professional employees of the six units of the Greater University of Montana or professional employees of a school district.

The 1954 amendments to the Federal Social Security Act required that no state agency or political subdivision could add Social Security coverage without submitting the question of participation to the members of their respective retirement systems to a referendum vote conducted by the State Agency. The Montana amendments of 1955 incorporated this provision so that members of the Public Employees' Retirement System and the Teachers' Retirement System could participate in Old Age, Survivors' and Disability Insurance the same as public employees who are not under a retirement system. These amendments also transferred the administration of Social Security for public employees in Montana from the State Board of Equalization to the Board of Administration of the Public Employees' Retirement System of Montana, effective as of July 1, 1955.

The 36th Legislative Assembly enacted Chapter 97, 1959 Session Laws of Montana making three changes in the previous state Social Security legislation. The most important section of Chapter 97 clarified the wording of the original enabling law so that it would coincide with any future changes in the retroactivity clause of the Federal Social Security Act. The other provisions of Chapter 97 corrected a typographical error which occurred in the preparation of Chapter 270, 1955 Session Laws of Montana and removed the word "teachers" from the exclusions of Chapter 270, 1955 Session Laws of Montana since the teacher group was covered by Chapter 271, 1955 Session Laws of Montana.

GROWTH

During the period from December 7, 1953, to July 1, 1955, the State Board of Equalization processed and provided coverage for 588 public employees of one (1) county, ten (10) cities, eighteen (18) towns, thirty-six (36) school districts, six (6) irrigation districts, four (4) public housing authorities, two (2) soil conservation districts, one (1) cemetery district and the Montana Municipal League.

During its first eight years of administering Social Security for public employees in Montana the Public Employees' Retirement System conducted twenty-nine (29) statewide referendums, on October 10, 1955, January 4, 1956, April 16, 1956, May 28, 1956, October 15, 1956, January 28, 1957, May 6, 1957, September 16, 1957, December 6, 1957, April 4, 1958, September 29, 1958, January 16, 1959, April 16, 1959, October 5, 1959, December 4, 1959, March 23, 1960, May 6, 1960, December 9, 1960, February 17, 1961, May 5, 1961, Nov. 15, 1961, December 15, 1961, February 16, 1962, March 23, 1962, May 4, 1962, November 15, 1962, December 14, 1962, February 15, 1963, and May 3, 1963, respectively, and extended Old Age, Survivors' and Disability Insurance to 29,075 additional public employees in eighty-seven (87) state departments, fifty-five (55) counties, ninety-four (94) cities and towns, all units of the Greater University of Montana, six hundred sixty-five (665) school districts, eleven (11) irrigation districts, thirteen (13) cemetery districts, two (2) municipal water departments, one (1) public health district, one (1) public library, five (5) soil conservation districts, one (1) planning board, one (1) public housing authority, and one (1) rural fire district.

By July 1, 1962, Old Age, Survivors' and Disability Insurance had been extended to the majority of public employees in Montana with 29,663 now participating. This is approximately 96% of the total estimated number of public employees who could be covered under Old Age, Survivors' and Disability Insurance. All state departments, all component units of the Greater University of Montana, all counties, the majority of cities, towns, first and second class school districts, and many other political subdivisions, have provided Social Security coverage for their public employees so that the number remaining is to be found principally in the smaller political subdivisions of the state.

CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS

The Annual Conference of State Social Security Administrators, of which Montana is a member was held in Miami Beach, Florida on August 29th and 30th, 1962. Montana was represented by Mr. John F. Sasek, Secretary of the Public Employees' Retirement System and Mr. Owen L. Morris, Jr., Accountant of the Social Security Division of the Public Employees' Retirement System.

The conference is held so that the states may present their problems and offer suggestions concerning the operation of the Social Security program in their state. It is an excellent opportunity for the states to exchange ideas concerning the Social Security program. The conference proposes legislation to present to Congress to better the Social Security program as concerns the states. Plans are also proposed by the conference for the Social Security Administration, so that the administration of the Social Security program may be better facilitated in the State and local government field.

The conference is conducted under the supervision of the member states with the cooperation of the Social Security Administration. The Social Security Administration provides various speakers from different fields of their operation. These speakers along with the speakers from the various states comprise the agenda of the conference.

WAIVER OF HEARING AND PARTIAL TERMINATION OF AGREEMENT

PURPOSE

When a political subdivision or absolute coverage group is dissolved, it is necessary for the State to take action to have the dissolved political subdivision removed from the agreement. A political subdivision which has been dissolved must be terminated by the Secretary pursuant to the provisions of the Act under which the Secretary may terminate an agreement or part of an agreement, if the State is legally unable to comply with the terms of the agreement. The formal document used for this procedure is called a "Waiver of Hearing and Partial Termination of Agreement."

RECENT TERMINATIONS

During the past fiscal year thirty-three (33) documents of Waiver of Hearing and Partial Termination of Agreement were executed by the Secretary removing twenty-nine (29) teacher coverage groups, and four (4) coverage groups of employees other than teachers from the Social Security Agreement.

REFERENDUMS

PURPOSE OF REFERENDUM

A referendum is held so that employees of public agencies under a retirement system might be afforded the opportunity to vote on the question of supplementing their present retirement program with the OASDI coverage. Congress in enacting the provisions relating to retirement system coverage under OASDI specifically declared its policy to be that the protection afforded employees in positions covered by a retirement system, or the payment of periodic benefits under a retirement system, will not be impaired as a result of such coverage or as the result of legislation enacted in anticipation of such coverage.

RECENT REFERENDUMS

During the past fiscal year four referendums were conducted for political subdivisions in the state on November 15, 1962, December 4, 1962, February 15, 1963, and May 3, 1963. In these referendums 30 school districts participated with 142 eligible employees voting. The final certification of the referendums showed employees of 25 agencies voting favorably for the coverage and employees of 5 agencies voting against the coverage. The agencies, where the employees voted against the coverage, must wait one full year from the date of the last referendum in which they participated before they are eligible to participate in another referendum.

MODIFICATIONS

PURPOSE OF MODIFICATION

The Social Security Act provides that a State's original agreement may be modified to include additional coverage groups and to cover services previously excluded from an agreement or modification. The coverage must be consistent with the provisions of the Federal Social Security Act.

An agreement is modified by the use of a formal document known as a "Modification." The signing of a modification is an acknowledgment of the full applicability to it of the provisions of the original agreement.

RECENT MODIFICATIONS

During the past fiscal year the Social Security Division prepared and processed 10 modifications which were approved and signed by the Social Security Administration in Baltimore, Maryland. Eight (8) of the modifications extended the coverage to the following groups: teachers at 24 school districts, employees who are members of the Public Employees' Retirement System at 4 school districts, employees who only have social security at 10 school districts, and 2 public agencies. One of the modifications extended coverage to the elective fee basis officials who are members of the Public Employees' Retirement System at two cities.

Modifications are continuously being prepared extending coverage to those agencies desiring the coverage for their employees.

SUMMARY OF OPERATIONS

(7-1-62 to 6-30-63)

During the fiscal year which ended on June 30, 1963 Social Security contributions in the amount of $6,411,764.87 were collected from member agencies. This is $673,594.80 more than the preceding fiscal year which is due mainly to an increase in the combined F.I.C.A. Tax rate from 6¼% to 7¼% effective January 1, 1963.

Administrative expense fees collected amounted to $35,103.48 compared with $35,023.48 for the preceding twelve-month period.

Disbursements for administrative expense totalled $32,539.45 compared with $29,620.18 for the previous fiscal year or an increase of $2,919.27. This increase results from payment of the retainer fee for the Attorney for the Board of Administration, Public Employees' Retirement System for the full year as compared to six months in the last fiscal year, an increase in the social security tax rate, and an increase in printing requirements and postal rates. Other costs remained relatively constant.

STATE EXAMINER'S COMMENTS

Receipts and disbursements were checked. Claims appear to be in good order, well itemized, and authorized for payment.

Cash balances and checks outstanding were verified and are in reconcilement with the records of the State Treasurer and the State Controller Accounting Division.

Respectfully submitted,

IRVIN E. SNYDER
Deputy State Examiner

INCOME AND DISBURSEMENTS

July 1, 1962 to June 30, 1963

Assets as of June 30, 1962		$ 330,669.17
INCOME FOR YEAR ENDING JUNE 30, 1963.		
Employee and Employer Contributions	$6,411,764.87	
Contribution to Expense	35,103.48	
Interest from Registered Warrants	353.69	
TOTAL INCOME		$6,447,222.04
BALANCE CARRIED FORWARD		$6,777,891.21
DISBURSEMENTS FOR YEAR ENDING JUNE 30, 1963.		
Capital Disbursements:		
Refund on Contributions		$ 3,788.79
Refund on Administrative Expense		13,968.83
Payment of Contributions to the Treasurer of the United States		6,450,981.19
TOTAL CAPITAL DISBURSEMENTS		$6,468,738.81
Disbursements for Administrative Expense:		
Salaries	$ 21,139.30	
Legal Fees	3,491.58	
Travel, Employees	2,373.34	
Telephone-Telegraph	535.51	
Printing	917.21	
Postage	553.60	
Supplies	390.94	
Contributions to PERS—Employer	697.57	
Service Contracts	228.50	
Insurance—Bonds	209.53	
Depreciation—Furniture and Fixtures	698.11	
Social Security Contributions—Employer	633.21	
Industrial Accident Insurance	226.30	
State Examiner's Fee	90.00	
Miscellaneous	354.75	
TOTAL ADMINISTRATIVE EXPENSE		$ 32,539.45
TOTAL DISBURSEMENTS		$6,501,278.26
BALANCE JUNE 30, 1963		$ 276,612.95

ASSETS AND LIABILITIES STATEMENT

ASSETS:		
*Cash	$ 255,523.46	
Furniture and Fixtures	3,980.94	
Registered Warrants	17,108.55	
TOTAL ASSETS		$ 276,612.95
LIABILITIES:		
Contribution Account	$ 276,385.90	
Expense Fund	227.05	
TOTAL LIABILITIES		$ 276,612.95

*On Deposit with the State Treasurer

SOCIAL SECURITY CONTRIBUTIONS DEPOSITED WITH FEDERAL RESERVE BANK FOR THE PERIODS INDICATED

July 1, 1955-June 30, 1956	$1,380,799.29
July 1, 1956-June 30, 1957	$2,576,598.67
July 1, 1957-June 30, 1958	$3,033,874.88
July 1, 1958-June 30, 1959	$3,454,146.83
July 1, 1959-June 30, 1960	$4,459,477.63
July 1, 1960-June 30, 1961	$5,391,575.44
July 1, 1961-June 30, 1962	$5,690,285.76
July 1, 1962-June 30, 1963	$6,450,981.19

Balances verified by Audit of Bank Examiners on July 31, 1963

REFERENDUMS HELD IN THE STATE FOR MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM AND THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON THE QUESTION OF SUPPLEMENTING THEIR PRESENT RETIREMENT PROGRAM WITH SOCIAL SECURITY

REFERENDUMS	Agencies Voting For Social Security	Agencies Voting Against	Per Cent in Favor
First Referendum—October 10, 1955	128	3	97.7%
Second Referendum—January 4, 1956	50	4	92.5%
Third Referendum—April 16, 1956	110	8	93.2%
Fourth Referendum—May 28, 1956	66	15	81.5%
Fifth Referendum—October 15, 1956	42	11	79.2%
Sixth Referendum—January 28, 1957	56	3	94.9%
Seventh Referendum—May 6, 1957	35	2	94.6%
Eighth Referendum—September 16, 1957	51	5	91.1%
Ninth Referendum—December 6, 1957	71	9	88.8%
Tenth Referendum—April 4, 1958	57	1	98.2%
Eleventh Referendum—September 29, 1958	44	3	93.6%
Twelfth Referendum—January 16, 1959	31	1	96.9%
Thirteenth Referendum—April 16, 1959	23	1	95.8%
Fourteenth Referendum—October 5, 1959	23	6	82.1%
Fifteenth Referendum—December 4, 1959	12	4	75.0%
Sixteenth Referendum—March 23, 1960	20	7	74.1%
Seventeenth Referendum—May 6, 1960	2	1	66.7%
Eighteenth Referendum—December 6, 1960	22	5	73.3%
Nineteenth Referendum—February 17, 1961	12	5	58.3%
Twentieth Referendum—May 5, 1961	8	0	100.0%
Twenty-first Referendum—November 15, 1961	1	0	100.0%
Twenty-second Referendum—December 15, 1961	21	2	91.3%
Twenty-third Referendum—February 16, 1962	8	0	100.0%
Twenty-fourth Referendum—March 23, 1962	4	0	100.0%
Twenty-fifth Referendum—May 4, 1962	7	0	100.0%
Twenty-sixth Referendeum—November 15, 1962	2	0	100.0%
Twenty-seventh Referendum—December 14, 1962	11	2	84.6%
Twenty-eighth Referendum—February 15, 1963	8	0	100.0%
Twenty-ninth Referendum—May 3, 1963	6	3	66.6%
	931	101	90.2%

Of the 101 agencies which had unfavorable votes for the Social Security coverage 48 have since revoted and accepted the coverage. Agencies having an unfavorable vote for the School Security coverage must wait one full year before voting again.

SOCIAL SECURITY COVERAGE BY COUNTY (as of June 30, 1963)

County	School Districts	Cities Towns	Other Agencies
Beaverhead	17	1	....
Big Horn	5	1	2
Blaine	15	2	5
Broadwater	3	1	1
Carbon	12	4	2
Carter	16	1	....
Cascade	25	3	2
Chouteau	31	3	1
Custer	16	1	....
Daniels	4	2	1
Dawson	18	2	....
Deer Lodge	3	1	1
Fallon	8	1	....
Fergus	39	2	....
Flathead	23	3	1
Gallatin	18	4	....
Garfield	13	1	....
Glacier	6	1	1
Golden Valley	7	1	....
Granite	5	2	....
Hill	17	1	1
Jefferson	8	2	....
Judith Basin	8	....	....
Lake	9	2	1
Lewis and Clark	17	2	2
Liberty	10	1	....
Lincoln	14	2	1
Madison	8	4	3
McCone	14	....	....
Meagher	3	1	....
Mineral	4	1	....
Missoula	15	1	1
Musselshell	7	2	....
Park	11	1	2
Petroleum	5	1	....
Phillips	15	3	2
Pondera	14	2	1
Powder River	4	1	....
Powell	13	1	....
Prairie	3	1	1
Ravalli	8	1	1
Richland	17	2	2
Roosevelt	9	5	1
Rosebud	10	1	2
Sanders	9	2	1
Sheridan	16	2	....
Silver Bow	5	1	1
Stillwater	15	1	....
Sweet Grass	17	1	....
Teton	12	3	2
Toole	15	2	1
Treasure	3	1	1
Valley	13	2	1
Wheatland	6	1	....
Wibaux	12	1	....
Yellowstone	15	2	3

The School District figure includes districts which have the teachers covered, or both the teachers and other employees covered or only the employees other than teachers covered. The particular coverage group which has the Social Security coverage in any school district of a county may be obtained by writing to this office indicating the district number and the county in which the district is located.

NUMBER OF AGENCIES OFFERING THEIR EMPLOYEES SOCIAL SECURITY AS OF JUNE 30, 1963

(By Coverage Groups)

COVERAGE GROUP	Number of Agencies
SCHOOL DISTRICTS:	
Teachers	605
Members of the Public Employees' Retirement System	93
Members who do not belong to the Public Employees' Retirement System	202
CITIES AND TOWNS:	
Members of the Public Employees' Retirement System	45
Members who do not belong to the Public Employees' Retirement System	49
COUNTIES: (100%)	
Members of the Public Employees' Retirement System	55
Members who do not belong to the Public Employees' Retirement System	1
STATE DEPARTMENTS (100%)	87
UNIVERSITY SYSTEM (100%)	6
OTHER AGENCIES:	
Irrigation Districts	17
Cemetery Districts	14
Municipal Water Departments	2
Public Health Districts	1
Public Libraries	1
Public Housing Authorities	5
Soil Conservation Districts	5
Montana Municipal League	1
Planning Board	1
Rural Fire District	1

SOCIAL SECURITY COVERAGE IN SCHOOL DISTRICTS

(As of June 30, 1963)

The number of school districts covered by Social Security according to specific coverage groups and the approximate number of employees covered.

COVERAGE GROUPS	Number of Districts	Approximate Number of Employees
*Teachers	605	7,422
Employees other than Teachers (Total)	295	3,665
Employees other than Teachers who are members of the Public Employees' Retirement System	93	1,803
Employees other than Teachers who only have Social Security coverage	202	1,862
All Employees covered. Teachers and employees other than Teachers	271	11,087

*All teaching positions in Montana are covered by the Teachers' Retirement System.

NUMBER OF EMPLOYEES REPORTED AT SPECIFIC PERIODS

	6/30/55	6/30/56	6/30/57	6/30/58	6/30/59	6/30/60	6/30/61	6/30/62	6/30/63
SCHOOL DISTRICTS	300	1,599	7,020	7,381	8,313	9,242	9,595	10,585	11,087
CITIES AND TOWNS	100	1,686	1,847	2,810	3,100	2,867	3,205	3,137	2,998
COUNTIES	88	3,934	4,069	4,513	4,648	5,029	4,934	5,269	5,191
STATE DEPARTMENTS	....	7,542	8,104	6,697	6,855	6,913	6,853	7,105	7,119
*UNIVERSITY SYSTEM	....	587	844	2,564	2,602	2,656	2,753	2,645	2,858
OTHER AGENCIES	100	354	518	383	481	358	389	393	410
	588	15,702	22,402	24,348	25,999	27,065	27,729	29,134	29,663

*The University System figure includes employees other than teachers who had been reported in the State Department figure prior to 7-1-57.

SOCIAL SECURITY COVERAGE AND OTHER RETIREMENT COVERAGE

(as of June 30, 1963)

COVERAGE GROUP	Employees In Positions Covered By The Public Employees' Retirement System Who Have Social Security Coverage	Employees In Positions Covered By The Teachers' Retirement System Who Have Social Security Coverage	Employees In Positions Covered Only By Social Security
STATE DEPARTMENTS	6,492	.....	627
COUNTIES	3,623	.....	1,568
CITIES AND TOWNS	1,658	.....	1,340
SCHOOL DISTRICTS	1,803	7,422	1,862
GREATER UNIVERSITY SYSTEM	1,212	1,445	201
OTHER AGENCIES	84	.....	326
	14,872	8,867	5,924

Not all employees included in the totals under the Public Employees' Retirement System and the Teachers' Retirement System are actually members of the respective systems. However, the positions are covered and these employees could elect membership.

Approximately 23,739 public employees are contributing to Old Age, Survivors' and Disability Insurance in addition to the Public Employees' Retirement System or the Teachers' Retirement System. This means that approximately 80% of the public employees at June 30, 1963 had both a retirement plan and Social Security coverage. Approximately 5,924 public employees have only the Social Security coverage.